

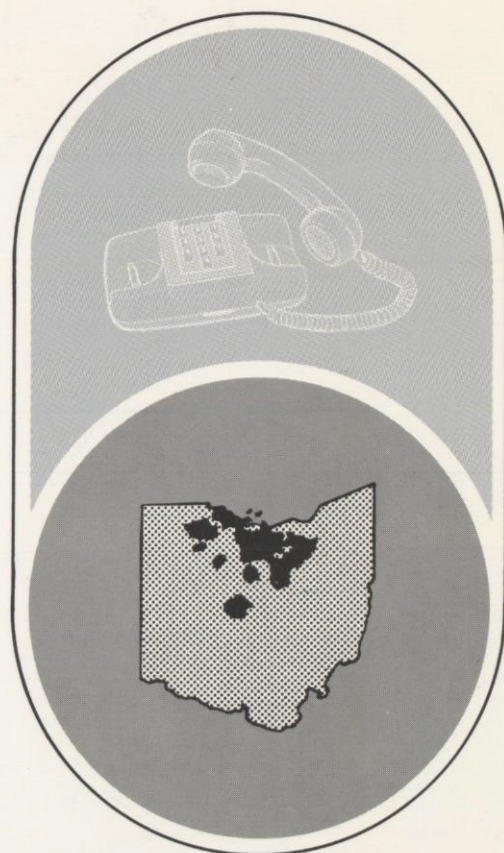
Northern Ohio District Manager Inspects Communications Equipment Owned and Operated By Your Company In the Federal Aviation Authority's Air Route Traffic Control Center, Oberlin, O. The Nation's Largest, Vertical Radar Scope, Above.



NORTHERN OHIO TELEPHONE COMPANY ANNUAL REPORT 1963

YEAR ENDED DECEMBER 31, 1963





ANNUAL REPORT 1963

CONTENTS

Summary of Progress
President's Report
Progress of Company
Progress of Area
Certification
Balance Sheet Statement

another
year
of
growth



PROGRESS IN PLANT AND SERVICE

Construction Expenditures	\$ 4,648,005.43	\$ 4,541,326.03
Telephone Plant Dec. 31	\$50,091,576.31	\$46,673,997.74
Telephones Dec. 31	135,440	129,852
Long Distance Calls	11,371,649	10,724,000

PROGRESS IN FINANCIAL POSITION

Revenues	\$14,304,861.81	\$13,270,945.19
Expenses	\$ 4,704,889.72	\$ 4,490,610.71
Taxes	\$ 4,369,440.43	\$ 3,912,960.02
Provision for Depreciation	\$ 2,000,265.96	\$ 1,859,320.50
Net Income	\$ 2,564,461.78	\$ 2,370,739.00
Wages Paid	\$ 3,630,425.00	\$ 3,482,347.00
Employees	879	903
Common Shares Outstanding	683,063	670,531
Cash Dividends Paid per Common Share	\$1.60	\$1.60
Net Income per Common Share	\$3.23	\$3.00

OFFICERS

Allan G. Aigler

Chairman of the Board

Wm. C. Henry

President and General Manager

John E. Wise

Vice President

Wm. H. Todd

Secretary and Treasurer

John A. Aigler

Assistant Secretary and Assistant Treasurer

DIRECTORS

***Allan G. Aigler**

Aigler and Aigler, Attorneys, Bellevue

John A. Aigler

General Commercial Superintendent
of the Company, Bellevue

Thomas A. Boyd

130 Wrexham Road—Bronxville, N. Y.

Charles H. Campbell

Agent, The Equitable Life Assurance
Society, Ashland

Robert T. Campbell

Manager Project Engineering, The North
Electric Manufacturing Co., Galion

***Herbert A. Erf**

The H. A. Erf Acoustical Company,
Shaker Heights

Frank C. Henry

Bosworth, Sessions, Herrstrom and Knowles,
Patent Attorneys, Cleveland

***Wm. C. Henry**

President and General Manager of the
Company, Norwalk

Ira L. Porter

114 Fairway Drive, Oberlin

Hermann H. Thornton

556 Morgan Street, Oberlin

***Fred W. Uhlman**

President, F. W. Uhlman and Company,
Bowling Green

Fred G. Williamson

General Plant Superintendent of the
Company, Bellevue (Retired Jan. 1, 1964)

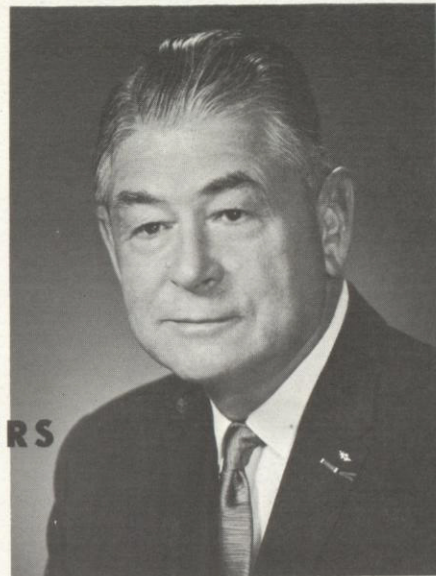
***John E. Wise**

President, The Citizens National Bank
of Norwalk, Norwalk

***Executive Committee**



A LETTER TO OUR STOCKHOLDERS



Providing fast, efficient, convenient, modern communications service is the primary responsibility of a telephone company. How effectively we meet that responsibility can have a telling impact upon the progress and growth of the communities we serve. This has been particularly true of your Northern Ohio Telephone Company, especially during recent years.

We are proud to acquaint you with our contributions to community growth in this 1963 Annual Report. We are proud, too, in bringing you a more detailed story of the men and women of Northern Ohio who have contributed so much to your company's progress.

And we are happy to report another year in which efficient, economical business management coupled with an aggressive promotional effort contributed to our already sound financial position.

Yet this record of meeting our present responsibilities is not enough. We must also look to the future.

Tomorrow's communications needs must be anticipated, perfected and made ready. It is our responsibility to inform, advise and recommend to our users the new services that our industry is continuing to make available. Data service—

machines talking to machines—at a rate of several hundred words a minute through the use of pre-cut tapes—will fulfill the needs of business for faster communications and its use will multiply rapidly.

Private line teletypewriter and dial or switched teletypewriter service networks will transmit printed messages at a speed of one hundred words a minute. Private line switched telephone networks will service large users. Present inter-continental cables will be supplemented within the next three years at most, by radio channels relayed from space satellites.

The desire of our subscribers for the best in telephone service will accelerate the change to individual local exchange lines. One party and four party lines will replace multi-party rural lines, first in areas with sufficient density, and ultimately in entire exchange areas. An increasing proportion of subscriber's telephone sets will be provided in pastel colors to harmonize with the decor in which they are located. Present widespread subscriber dialing of station-to-station toll calls will be expanded to include person-to-person, collect, pay station and third number long distance calls.

Northern Ohio Telephone Company is a closely knit single operating company. It is not part of a holding company and has no subsidiaries.

Consequently we have a more intimate relationship with the communities we serve than do many of the other large independent telephone companies. This relationship is reflected also in our sense of responsibility to those we regard as our three primary groups of people, first to provide at all times the best telephone service possible to our subscribers, second to provide work opportunities to our employees under conditions and at wage levels comparable with other employment opportunities in the areas in which we operate and third, to maintain earnings at a level that will adequately compensate the stockholders whose contributions of capital have made this company possible.

It will be the purpose of the management to devote its energies to the accomplishment of these objectives in the operations of this company as a private, free enterprise.

Sincerely yours,

President and General Manager

\$4,648,005.43 in New Plant Additions

Progress and new building go hand in hand so it was only natural that this would be another big year in plant additions.

The year 1963 saw \$4,648,005.43 being invested in gross addition to telephone plant with retirements of \$1,230,426.86 and net additions of \$3,417,578.57, largest in the history of the company. Central office equipment, distribution cables, new buildings and building additions, and more station apparatus, PBX exchanges plus other special equipment all were represented in this plant expansion. Our new Wellington telephone building was opened and the exchange converted to Dial and Direct Distance Dialing. In addition, our exchanges at Bowling Green, North Baltimore, Grand Rapids, Haskins-Tontogany and Weston were added to the network of Direct Distance Dialing during 1963.

Only one of our smaller exchanges remains without dial service and its changeover will be completed early in 1964. Consistent with this conversion to 100% dial, year's end found 90% of our telephones had ANC (all number calling).

As of this date, 83,562 of your company's telephones or 62% have Direct Distance Dialing service.

Work is rapidly being completed on the new addition that will almost double the floor space at our Medina toll center. This office provides service for one of Ohio's truly booming areas. Despite the fact that we completed a \$554,500 new telephone service center in 1957, we are this year again increasing facilities in the amount of additional \$348,504. We are doing this to anticipate the still rapidly expanding telephone service needs of the Medina area.

5,588 New Telephones Put Into Service

This represents an increase of almost 1,000 telephones over the number gained in 1962, and is our largest gain thru internal growth in any year. It is further evidence of progressive salesmanship and promotion on your company's part as well as the needs of our growing communities. As of December 31, 1963 your company served 135,440 telephones.

11,371,469 Long Distance Calls Made By Subscribers

Once again we set a record for toll calls made in a single year

1963 A YEAR OF COMMUNICATIONS PROGRESS THROUGH EXPANDED



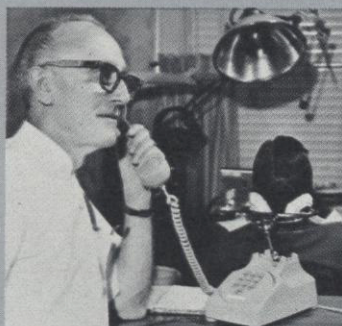
Employees are continually being trained in new equipment and methods. Mr. J. P. Bisel is Training Supervisor.



First Time and Temperature service was established at Norwalk by the Huron County Banking Company.



This is our new Telephone Building at Wellington which was opened in May, 1963.



The first installation of "pushbutton" telephones was made in the office of Dr. Ravitch, DDS.



Mr. Bennett, Wellington banker, is shown with the new "pushbutton" telephone.

...11,371,469. This represents an increase of over 6% or 646,954 more calls than in 1962. As evidence of usefulness of the service, 37.5% of these calls were made by subscribers through Direct Distance Dialing. Your company has been one of the leaders in the installation and promotion of Direct Distance Dialing. Within just five years of the first experimental exchange in Englewood, N.J., we had Direct Distance Dialing operating as an integral service of our company.

Extended Area Service Expanded

We have constantly sought to increase the importance and consequently the increased value of telephone service to our subscribers. An excellent example of this both from the standpoint of company promotion and consumer acceptance is Extended Area Service which permits subscribers to call telephones in a wider extended area as part of their exchange telephone service.

This expansion of local calling area is provided at an increase in the subscriber's regular monthly service bill.

The growing demand and usage of Extended Area Service was further evidenced in 1963 by the establishment of this service between Genoa and Toledo; Bowling Green and Weston, Portage and Cygnet and between Wadsworth and Akron. Today 46 of our exchanges and 66.9% of our subscribers have in addition to their own exchange Extended Area Service to one or more other exchanges.

"Touch" Dialing Another Example of Northern Ohio "First"

During 1963 Central Office Equipment to provide "Touch" Dialing service was installed in our Wellington exchange on an experimental basis. This service is similar to the "Touch-Tone" provided by the Bell System, in which calls are made with push buttons in the place of a dial.

Ours is one of the first independent companies in Ohio to install this equipment. We expect to have our Wadsworth exchange equipped with "Touch" dial equipment early in 1964. This optional equipment is part of our program to provide our subscribers with the most up-to-date service possible.

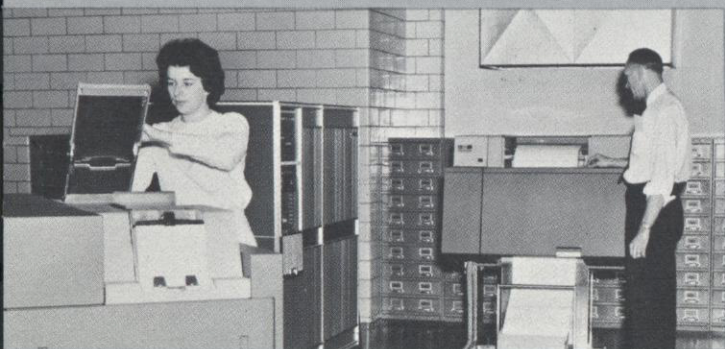
SERVICE COMMUNICATIONS PROGRESS COMMUNICATIONS PROGRESS



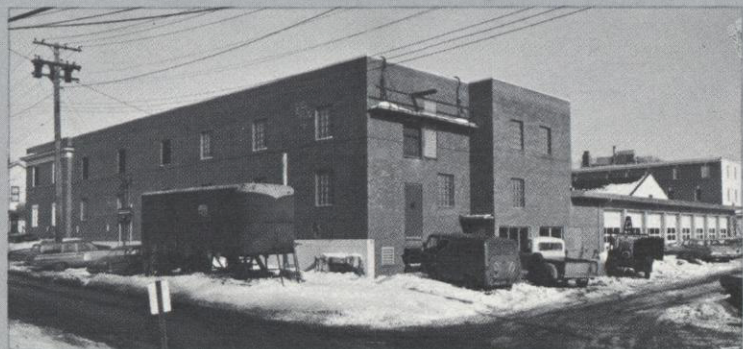
The Telephone Building of Bowling Green was enlarged and remodeled to provide space for Direct Distance Dialing equipment.



The first call over the new dial equipment at Wellington was made by Mayor Ralph Gray to George Wilson, member of the Governor's Cabinet.



Your company was the first independent telephone company in Ohio to use the IBM 1401 computer, an advanced system of machine accounting.



The Medina Telephone Building is being enlarged in anticipation of continued growth in this area.

People . . . Our Finest Asset . . . Our Finest Investment

Your company presently employs 879 individuals—581 women and 298 men.

During 1963 the company's expenditure in wages and salaries was \$3,630,425.00. Next to taxes this is our largest expense of operations.

This company has good reason to be proud of the men and women who represent it. In their business lives and as neighbors in their own community, they exemplify the spirit of dedicated public service that is the tradition of telephone people.

Northern Ohio People Sell Their Company Well

Northern Ohio people are sales people. They not only sell the spirit of service that characterizes their company—they actually sell services that create revenue for their company.

Our employees in all departments compete in year 'round

sales drives promoting extra services to residential subscribers. During 1963 our employees made a total of 11,699 sales of extensions, extra listings and other telephone services in a campaign that has become a model in the independent industry. They are a vital part of this company's merchandising effort.

During 1964 we will begin to realize the results of a new department created late last year. This is the commercial engineering department. Sales engineering representatives will call on all commercial and industrial organizations in our area to acquaint them more fully with the new communications services so valuable to modern business and industry.

Northern Ohio people perform equally well as public relations representatives. Your company's policy of holding Open Houses and also participating in community projects has found telephone people to be excellent spokesmen for their company.

1963 A YEAR OF PROGRESS BY PEOPLE DEVOTED TO THEIR COMPANY—CO



G. Ira Liedorff, Norwalk Foreman of Inspectors was presented the "Man of The Year" award by the Norwalk Chamber of Commerce. The presentation was made by Mr. Paul Tucker. Also shown is the Liedorff family.



Miss Martha Miller of our General Offices solicited employees on behalf of Selected United Appeal.



Mrs. Lillian Stephan, Cashier at Brunswick has been most active in Scout work.



Mr. Luther Heiserman and Port Clinton District Manager, J. E. Peltier, members of the Industrial Development Committee are consulting with Port Clinton Mayor Gordon S. Cooper.



Mrs. Ernestine Frost, operator at Delaware receives a letter of thanks from the Leper Colony in Hawaii.



Richard Komjati, Medina District Commercial Manager, and a past Commander of the American Legion.

Northern Ohio People Serve Their Communities Well

Go through the roster of leadership for church, school, civic, patriotic organizations in every community served by Northern Ohio and you will find Telephone Company people well represented among them. Take G. Ira Liedorff, an Inspector Foreman of Norwalk, for example. He is President Pro-Tem of his Local City Council; he is a Scoutmaster and a Commissioner of the Boy Scouts and a Member of the Executive Committee of his community's Girl Scouts; he is a member of the Norwalk Industrial Development Committee of its Chamber of Commerce; he is active in Little League, VFW, his church and many other community projects.

Or take Asa Sampson of Delaware who is past president of his school PTA and active on the Delaware Human Relations Committee. Or Nap T. Videan of Bellevue, past president of the City Council, Member Sandusky County Executive Com-

mittee Republican Party, past president, Bellevue Kiwanis Club. Or James Peltier of Port Clinton, member of three Chambers of Commerce, Director, Ottawa County Industrial Development, Vice President Kiwanis Club.

Or Mrs. Ernestine Frost of Delaware. Singlehandedly this telephone operator provides Christmas for 100 inhabitants of a Leper Colony in Hawaii. At Thanksgiving she makes gifts for all patients in the County Home Hospital and makes cookies for them at Easter. These activities are only part of Mrs. Frost's fine work.

Similarly the good works of the people described and pictured here are only a small part of the collective good hearts of Northern Ohio Telephone people. True the age of automation is here. It is well operated in the good hands and good hearts of the men and women of Northern Ohio.

UNITY PROGRESS BY PEOPLE PROGRESS BY PEOPLE PROGRESS BY PEOPLE



Miss Patricia Bell, Norwalk Repair Clerk, was named "Girl of The Year" by Beta Sigma Phi Sorority.



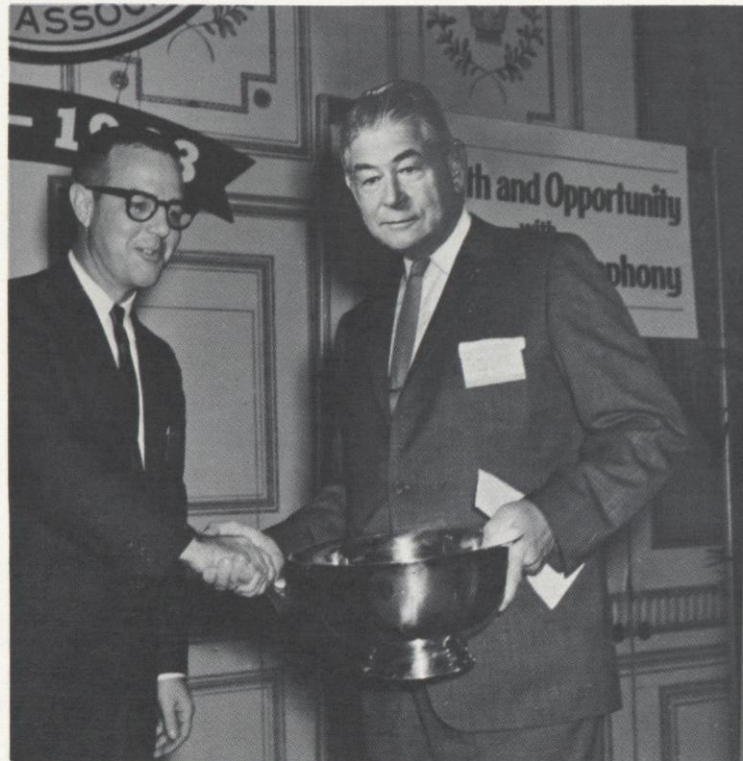
In 1963 Harold Sell, Chief Switchman at Wadsworth was honored with the Silver Beaver Award.



Ralph C. Fisher, District Manager at Delaware is Communications Officer, County Civil Defense.



Asa D. Sampson (right) active in Delaware PTA and Human Relations is shown with Tod Smart.



Col. Wm. C. Henry receives first USITA Award for outstanding service to Independent Telephony. Col. Henry, an association past president, receives award from Paul H. Henson, USITA Vice President.



Science Center or Research Laboratory at North Electric Company, Galion.



Flight Data positions at the FAA Air Route Control Center, Oberlin.

1963 Continued Growth in Dynamic Northern Ohio

We are proud to be part of the dynamic growth in our Northern Ohio area. Consider our Medina exchange area, for example. During the past 10 years 19 new plants have opened, bringing employment to thousands as well as attracting new residents to the area. In outlining your company's service expansion program, we previously noted the necessity for the addition being built to the Medina exchange. Any wise expansion program is in anticipation of future growth as well as increasing facility in serving current needs, particularly in the industrial and commercial areas. And with commercial revenue becoming ever more important to a telephone company you may be sure we are increasingly aggressive in the area of providing the ultimate in complete modern business communications service.

Industrial Growth Reflects the Quality of Communications Service

Any revaluation of a plant site for relocation or expansion takes special cognizance of telephone service. This is particularly true in areas served by Independent telephone companies. A telephone company's ability to provide service that meets current demands while anticipating further growth plays a vital role in the decisions affecting industrial expansion and relocation.

FAA Air Route Traffic Control Center Ideal Case in Point

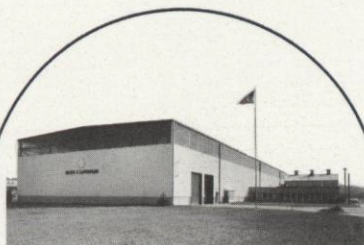
Work is rapidly nearing completion on the merging of the Detroit Federal Aviation Authority's Air Route Traffic Control Center with the ARTC center at Oberlin. As we noted in our 1962 report to you, this is the second step toward making Oberlin the nation's largest Air Route Traffic Control Center.

1963 CONTINUED GROWTH IN DYNAMIC NORTHERN OHIO DYNAMIC NORTHERN

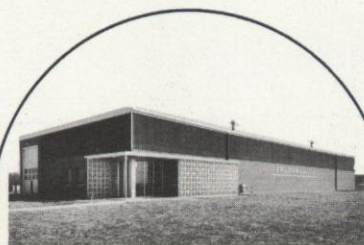
MIRACULOUS



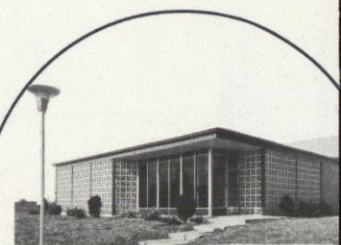
Menasha Container Co., Medina, Ohio



Bliss & Laughlin, Medina, Ohio



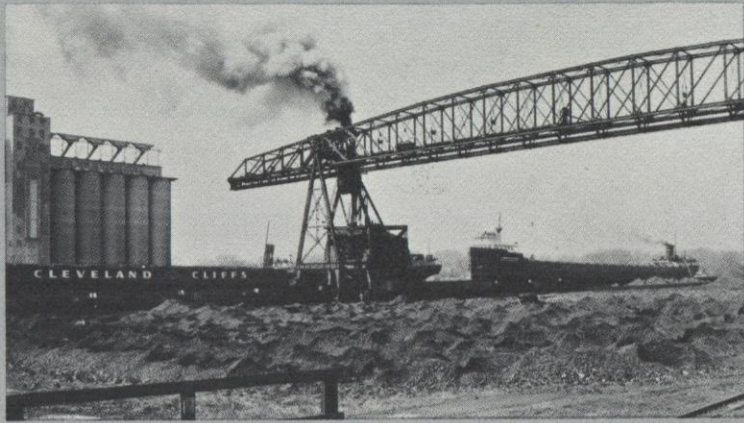
Friction Products Co., Medina, Ohio



Brand Plastics, Medina, Ohio



The Fisher-Titus Memorial Hospital at Norwalk, one of Ohio's finest.



Unloading ore at the docks of the Cleveland Stevedore Company, Huron, Ohio.

The first, the merging of the Pittsburgh, Pa. ARTC center with Oberlin was completed in 1962. The total investment in communications equipment by this company for the FAA will exceed \$850,000.

With communications playing so crucial a role in air traffic control, we are meeting this challenge with the full sense of responsibility involved for this company. We believe the decision of the FAA to expand facilities in Oberlin can be construed as an expression of confidence in your company's ability to provide modern communications service consistent with whatever demands are made upon it.

Over-all Area Commercial Telephone Usage Increased

The growing reliance of commerce and industry upon faster communications was reflected in the increased business telephone services provided by this company during 1963. This

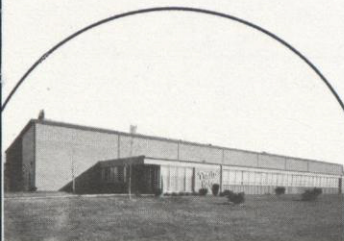
increase was evidenced in the number of new PABX and PBX switchboards installed, added business lines, extensions, experimental "Touch" dialing and other services. This company's first time and temperature service was installed at the Huron County Banking Company in Norwalk with others to be installed in other exchange areas during 1964.

New Housing Areas Prompt Service Expansion

Over the past decade the northern part of Ohio in which we serve has experienced an above average growth thru the decentralization of industry and the movement of people into areas outside large metropolitan cities—the expansion of suburbia. New housing development, particularly in industrial and suburban exchanges continues to create an additional demand for telephone service and is an important source of revenue thru expanded residential service. Your company is meeting these demands promptly as they arise.

OHIO DYNAMIC NORTHERN OHIO DYNAMIC NORTHERN OHIO DYNAMIC NORTHERN OHIO

MEDINA



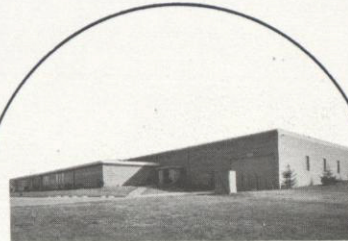
Plastic Kote, Medina, Ohio



Fry Roofing Co., Medina, Ohio



National Rubber Machinery Co.,
Medina, Ohio



Sealy Mattress Co., Medina, Ohio

REVENUES

We are happy to continue what has become a tradition of reporting record breaking total revenues. Total revenues for 1963 were \$14,304,861.81—an increase of \$1,033,916.62, or more than 7.7%. Exchange revenue was up 4.6% or \$326,212.64.

Private line service again showed a substantial increase, up 30% or \$136,579.03. Our Oberlin exchange through its work with the FAA Air Route Traffic Control Center, contributed a substantial portion of this increase in private line income as well as total revenue. The Pittsburgh FAA collocation was merged with Oberlin in October, 1962, but none of its billings were included until 1963.

Revenue from long distance service was up more than 10.3% or \$539,954.78. Major reasons for this upward trend were the increase in the average number of telephones in service, increased volume of toll calls and expanded Direct Distance Dialing facilities. Other income was \$63,148.02, up \$24,332.53. A major portion of this came from interest income realized from the reinvestment of funds resulting from the corporate Bond Issue dated Oct. 1, 1963.

There was a deduction of \$52,800 from revenues for uncollectable items for the year. This is around one-third of one percent of our total billings.

Total revenue per telephone for 1963 was \$107.84, realized as follows: \$55.49 from local exchange, \$43.34 from toll and \$9.01 from all other sources. This was up \$3.38 from the \$104.46 average revenue per telephone for 1962.

EXPENSES

We are happy to report that while total operating expenses did rise, the increase was less than in 1962. Total operating expenses were \$4,704,889.72, up \$214,279.01 or about 4.8%. This represents a nominal increase of expenses for a volume of this size. The largest portion of this increase is attributable to wages paid to personnel.

Despite the increase in volume, traffic expense remained very close to 1962, \$1,662,591.75 or up \$19,943.22. This increase in traffic expense was minimized by conversion of Wellington to dial in May of 1963. Commercial expense was up somewhat, to \$730,990.66, an increase of \$58,501.44. Part of this was an investment in a new sales and marketing activity whose benefits will begin to be realized during 1964.

Another portion of this somewhat higher expense is due to increased directory expense caused by more advertising which resulted in a corresponding increase in revenue. General office expenses showed a small increase of \$11,598.56 or a total of \$401,589.88. The increase was largely due to increased postage rates.

Other operating expenses were \$309,896.19, up from \$260,285.60.

DEPRECIATION

During 1963 we set aside from operating revenue an allowance for depreciation of \$2,000,265.96. The increase of \$140,945 over 1962 is the result of an increase in the total amount of depreciable plant for which a reserve must be accrued. At the end of 1963 our accumulated reserve had risen to \$8,681,557.92. Due to an aggressive program of rebuilding and increasing telephone plant more than 83 percent of our total telephone property has been placed in service within the past ten years.

TAXES

The various taxes paid by this company remains our largest item of expense. Total operating taxes for 1963 were \$4,369,440.43. This was an increase of \$456,480.41 or 10.45 percent over 1962. New local government and school district levies increased our county taxes to \$1,080,000. Corporate Federal Income Tax amounted to \$2,754,947.73. Taxes for Old Age Benefit was \$121,775.95, Unemployment Insurance \$50,910.04, State Excise \$352,901.11 with Ohio Sales and PUCO taxes accounting for the balance. Our total tax bill for the year amounted to \$32.94 for each telephone in service or \$2.74 cents for each month.

There remains an area of continued

taxation that persists largely because too few of our subscribers and our stockholders have chosen to express themselves about it. This is the World War II Federal Excise Tax. We are required to continue to add to subscribers' monthly bills this ten percent Federal Excise Tax and remit it to the Federal Treasury. During the past year this tax amounted to \$1,322,781.96 or \$9.97 per telephone and is in addition to the other direct taxes paid by this company.

Direct expression to your Congressman and Senators opposing this tax is one of the most effective ways of creating action against it. Unless positive action is taken to help repeal this 18 year old luxury tax, it has every possibility of remaining a permanent part of the subscribers' monthly telephone bills.

NEW CAPITAL

To reimburse its treasury for additions to property and plant and to provide for future capital requirements a new series of 30 year First Mortgage Bonds bearing an annual interest rate of 4½ percent was sold as of October 1, 1963. The Bonds in the principal amount of \$6,000,000, also provided funds for the retirement of a previous issue of 3¼ percent Bonds maturing August 1, 1965. Funds for the payment of these Bonds when due are temporarily invested in 3¾ percent certificates of deposit.

NET INCOME

Net income available for fixed charges also reached a new high in 1963. The amount was \$3,293,413.72, an increase of \$246,583.79. Fixed charges consisting of interest on funded debt, amortization of discount on funded debt and other minor interest deductions reached \$728,951.94. This increase of \$52,861.01 over 1962 was due largely to an increase of interest on the new Bonds.

However, our net income available for dividends and retained earnings reached a record high, \$2,564,461.78, an increase of \$193,722.78.

This is the sixty-third year in which this company and its predecessor has paid in full amount its regular quarterly dividends on its outstanding preferred stock. Cash dividends on its shares of common stock were \$1.60 per share which has been the amount paid in each of the past 8 years. A common stock dividend of one share for each fifty shares issued as of January 25, 1964 was paid on February 6, 1964. This resulted in the issuance of 12,754 additional shares of common stock and the payment of \$59,126.47 for fractional shares.

Earnings for common stock were \$3.23 per share for 1963 as compared to \$3.00 in 1962.

Finally, our income available for retained earnings was \$1,106,536.98, another peak income factor.

ERNST & ERNST

UNION COMMERCE BUILDING
CLEVELAND, OHIO 44114

BOARD OF DIRECTORS

NORTHERN OHIO TELEPHONE COMPANY
BELLEVUE, OHIO

We have examined the balance sheet of Northern Ohio Telephone Company as of December 31, 1963, and the related statements of income, other capital, and retained income for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying balance sheet and statements of income, other capital, and retained income present fairly the financial position of Northern Ohio Telephone Company at December 31, 1963, and the results of its operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

ERNST & ERNST

Cleveland, Ohio
February 24, 1964

ASSETS

	December 31,	
	1963	1962
PLANT AND OTHER INVESTMENT		
Telephone plant in service—Note A.....	\$50,091,576.31	\$46,673,997.74
Telephone plant under construction.....	305,377.88	313,903.53
	<hr/>	<hr/>
	\$50,396,954.19	\$46,987,901.27
Less reserve for depreciation.....	8,681,557.92	7,486,939.10
	<hr/>	<hr/>
	\$41,715,396.27	\$39,500,962.17
Debt retirement fund—Note B.....	2,950,872.43	—0—
	<hr/>	<hr/>
	\$44,666,268.70	\$39,500,962.17
CURRENT ASSETS		
Cash.....	\$ 1,171,052.51	\$ 940,557.94
Special cash deposits and working funds.....	75,965.00	60,765.00
United States Government securities and other short-term investments—at cost and accrued interest (approximate market).....	2,754,549.48	496,816.70
Notes and land contracts receivable.....	40,994.92	50,043.58
Accounts receivable (including estimated unbilled: 1963—\$343,085.45; 1962—\$343,517.51) less reserve for uncollectible accounts: 1963—\$26,912.72; 1962—\$12,301.74.....	1,517,638.06	1,587,519.99
Materials and supplies.....	727,440.05	632,234.73
	<hr/>	<hr/>
	\$ 6,287,640.02	\$ 3,767,937.94
DEFERRED CHARGES		
Prepaid insurance and other expenses.....	\$ 19,708.72	\$ 19,875.13
Discount on funded debt.....	272,708.00	132,039.13
	<hr/>	<hr/>
	\$ 292,416.72	\$ 151,914.26
	<hr/>	<hr/>
	\$51,246,325.44	\$43,420,814.37

SHEETS

LIABILITIES

and Shareholders' Equity

	December 31,	
	1963	1962
SHAREHOLDERS' EQUITY —Note C		
Capital Stock:		
Cumulative Preferred Stock—\$100.00 par value:		
Authorized 100,000 shares; issued and		
outstanding—1963—75,960 shares;		
1962—75,608 shares—Note D	\$ 7,596,000.00	\$ 7,560,800.00
Common Stock, \$10.00 par value:		
Authorized 700,000 shares; issued and		
outstanding—1963—683,063 shares;		
1962—670,531 shares	6,830,630.00	6,705,310.00
Installments paid on capital stock.....	3,781.50	3,789.00
	<u>\$14,430,411.50</u>	<u>\$14,269,899.00</u>
Other Capital	2,737,307.74	2,211,715.66
Retained income—Note E	6,880,297.51	6,470,307.88
	<u>\$24,048,016.75</u>	<u>\$22,951,922.54</u>
UNDEBT		
First Mortgage Bonds—Notes B, E, and F.....	\$21,652,000.00	\$15,652,000.00
CURRENT AND ACCRUED LIABILITIES		
Accounts payable	\$ 1,113,819.75	\$ 992,235.24
Subscribers' advance billings and payments.....	267,780.46	253,954.26
Taxes accrued—Note F	3,047,676.54	2,658,191.46
Unmatured interest and dividends.....	867,055.33	789,089.73
	<u>\$ 5,296,332.08</u>	<u>\$ 4,693,470.69</u>
OTHER DEFERRED CREDIT —Note G.....	249,976.61	123,421.14
	<u>\$51,246,325.44</u>	<u>\$43,420,814.37</u>
See notes to financial statements.		

COMPARATIVE STATEMENT
OF INCOME

**NORTHERN OHIO
TELEPHONE COMPANY
BELLEVUE, OHIO**

Years ended Dec. 31, 1963 and Dec. 31, 1962

	1963	1962
OPERATING REVENUES		
Local service	\$ 7,388,194.47	\$ 7,061,933.81
Toll service	5,770,511.34	5,230,556.50
Directory advertising and sales.....	578,891.37	551,403.02
Miscellaneous	620,064.63	478,051.75
Less provision for uncollectible accounts.....	52,800.00*	51,000.00
TOTAL OPERATING REVENUES	\$14,304,861.81	\$13,270,945.18
OPERATING EXPENSES		
Current maintenance	\$ 1,599,821.24	\$ 1,525,935.41
Depreciation	2,000,265.96	1,859,320.50
Traffic	1,662,591.75	1,642,648.53
Commercial	730,990.66	672,489.12
General office	401,589.88	389,991.32
Other—Note H	309,896.19	260,285.60
Taxes other than federal taxes on income.....	1,614,492.80	1,385,149.52
TOTAL OPERATING EXPENSES	\$ 8,319,648.48	\$ 7,735,820.00
OTHER INCOME	\$ 5,985,213.33	\$ 5,535,125.11
	63,148.02	39,515.21
	\$ 6,048,361.35	\$ 5,574,640.40
OTHER DEDUCTIONS		
Interest expense	\$ 721,499.18	\$ 669,878.21
Amortization of discount on funded debt.....	7,452.76	6,212.61
	\$ 728,951.94	\$ 676,090.92
INCOME BEFORE FEDERAL TAXES ON INCOME	\$ 5,319,409.41	\$ 4,898,549.48
FEDERAL INCOME TAXES—ESTIMATED—Note G		
Payable for the year.....	\$ 2,628,392.16	\$ 2,404,389.33
Amount equivalent to Investment Credit.....	126,555.47	123,421.14
	\$ 2,754,947.63	\$ 2,527,810.47
NET INCOME	\$ 2,564,461.78	\$ 2,370,739.01
* Indicates red figure. See notes to financial statements.		

NOTES TO FINANCIAL STATEMENTS

Note A—Telephone plant in service comprises land, buildings, rights-of-way, poles, wire, cable, underground conduit, switchboards, telephones, office furniture, vehicles, motor equipment, and tools. Plant is stated at amounts authorized by The Public Utilities Commission of Ohio with respect to acquisitions from other companies, and other additions are included at cost as of date of installation.

Note B—Under the terms of the Bond Purchase Agreement of First Mortgage Bonds due October 1, 1993, the Company agreed to deposit in trust an amount equal to the principal amount of First Mortgage Bonds due August 1, 1965, and accrued interest to that date. United States Government securities, at cost (\$2,930,843.75), accrued interest, and cash comprise the fund at December 31, 1963.

Note C—On January 14, 1964, The Public Utilities Commission of Ohio approved the declaration on December 27, 1963, of a two per cent dividend in the Company's Common Stock. On February 6, 1964, 12,754 shares were issued to holders of record as of January 25, 1964. The amount charged to retained income in 1964 representing approximate market of the shares (including \$59,126.47 for cash paid in lieu of fractional shares) aggregated \$890,304.65. Accordingly \$127,540.00 and \$703,638.18 were credited to Common Stock and other capital respectively.

Note D—The various series of cumulative preferred stock outstanding at December 31, 1963, are as follows:

	AMOUNT
5% Class A (redeemable at \$110.00 a share):	
Authorized and outstanding 12,000 shares.....	\$1,200,000.00
5% Class B (redeemable at \$105.00 a share):	
Authorized 56,000 shares; outstanding 31,960 shares.....	3,196,000.00
4½% (redeemable at \$105.00 a share):	
Authorized and outstanding 20,000 shares.....	2,000,000.00
4¼% (redeemable at \$105.00 a share):	
Authorized and outstanding 12,000 shares.....	1,200,000.00
TOTAL	\$7,596,000.00

STATEMENTS OF OTHER CAPITAL
AND RETAINED INCOME

**NORTHERN OHIO
TELEPHONE COMPANY
BELLEVUE, OHIO**

Year Ended December 31, 1963

OTHER CAPITAL

Balance at January 1, 1963.....	\$2,211,715.66
Excess of market value of 12,532 common shares of the Company issued to effect a 2% stock dividend, over the par value thereof.....	525,592.08
Balance at December 31, 1963.....	<u>\$2,737,307.74</u>

RETAINED INCOME

Balance at January 1, 1963.....	\$6,470,307.88
Add net income for the year.....	2,564,461.78
	<u>\$9,034,769.66</u>

Deduct:

Cash dividends declared:

5% Preferred Stock—\$5.00 a share.....	\$	219,003.75	
4½% Preferred Stock—\$4.50 a share.....		51,000.00	
4¼% Preferred Stock—\$4.25 a share.....		90,007.45	
Common Stock—\$1.60 a share	1,097,913.60	\$1,457,924.80	

Common Stock dividend:

Market value of 12,532 full shares issued to effect a 2% stock dividend. \$	650,912.08		
Cash paid in lieu of fractional shares...	45,635.27	696,547.35	2,154,472.15

Balance at December 31, 1963.....	<u>\$6,880,297.51</u>
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See notes to financial statements.

Note E—Under the terms of the Twelfth Supplemental Indenture dated October 1, 1963, to The First Mortgage Trust Deed, retained income amounting to \$2,637,005.67 (after giving effect to the cash paid in the transaction described in Note C) is not restricted for payment of cash dividends on Common Stock.

Note F—First Mortgage Bonds outstanding as of December 31, 1963, are as follows:

DUE DATE	INTEREST RATE	AMOUNT
Aug. 1, 1965.....	3¼%	\$2,752,000.00
Nov. 1, 1980.....	2⅞%	1,600,000.00
Nov. 1, 1982.....	3½%	1,800,000.00
Oct. 1, 1987.....	5⅞%	3,000,000.00
Dec. 1, 1988.....	4⅞%	3,000,000.00
Sept. 1, 1991.....	4⅞%	3,500,000.00
Oct. 1, 1993.....	4½%	6,000,000.00
	TOTAL	<u>\$21,652,000.00</u>

The bonds are secured by first mortgage on all telephone plant now owned or hereafter acquired. The Company covenants, while any of such bonds are outstanding, to provide sinking funds by annual payments to the Trustee, in cash or securities, of an amount equal to one per cent of the aggregate principal amount of bonds issued. The Company has the right to substitute 60% cost or fair value of permanent additions against which additional bonds have not been issued in lieu of cash or securities to meet sinking fund requirements. Sinking fund requirements have been complied with.

Note G—Federal income taxes payable have been reduced by \$126,555.47 representing the investment credit as provided by the Revenue Act of 1962, and an amount equivalent thereto has been reflected as other deferred credit.

Note H—The contribution under the pension plan for employees of the Company included with other operating expenses amounted to \$142,668.96 for the year 1963, including a portion of past service costs. At December 31, 1963, the estimated unfunded portion of past service costs amounted to approximately \$310,000.00.

1959

1963

5 YEARS
OF CONSTANT
GROWTH



GROWTH OF PLANT IN SERVICE

1959	\$35,922,516.33
1960	39,393,487.43
1961	43,559,190.42
1962	46,673,997.74
1963	50,091,576.31



GROWTH IN OPERATING REVENUES

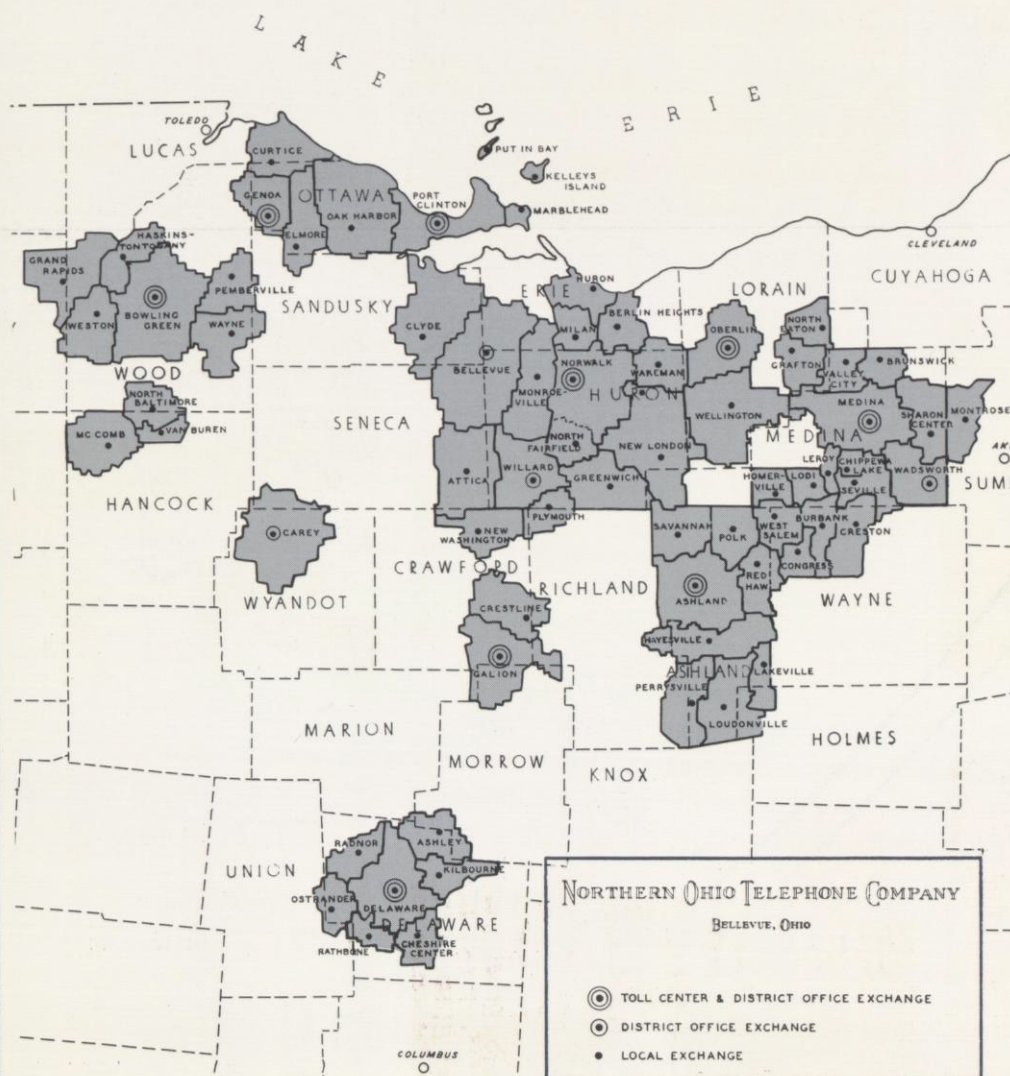
1959	\$10,533,194.05
1960	11,441,594.52
1961	12,148,446.12
1962	13,270,945.19
1963	14,304,861.81



GROWTH OF TELEPHONE STATIONS
IN SERVICE

1959	113,616
1960	118,651
1961	125,214
1962	129,852
1963	135,440

EXCHANGES OF NORTHERN OHIO TELEPHONE COMPANY



Exchange	Telephones Jan. 1, 1964
Ashland	10,574
Ashley	670
*Attica	881
*Bellevue	5,038
*Berlin Heights	576
*Bowling Green	7,000
*Brunswick	3,867
*Burbank	276
Carey	1,797
Cheshire Center	577
*Chippewa Lake	493
*Clyde	3,177
Congress	335
Creston	751
Crestline	2,755
Curtice	2,630
Delaware	7,698
Elmore	1,406
Galion	7,453
Genoa	1,606
*Grand Rapids	731
*Grafton	886
*Greenwich	901
*Haskins-Tontogany	577
Hayesville	1,158
*Homerville	150
*Huron	2,742
Kelley Island	128
Kilbourne	320
Lakeville	167
*Leroy	456
*Lodi	1,457
Loudonville	1,796
*Marblehead	1,115
McComb	920
*Medina	7,047
*Milan	1,160
*Monroeville	971
*Montrose	4,337
*New London	1,855
New Washington	748
*North Baltimore	1,244
*North Eaton	1,278
*Norwalk	7,475
Oak Harbor	2,511
*Oberlin	4,662
Ostrander	391
Pemberville	835
Perrysville	732
*Plymouth	915
Polk	340
*Port Clinton	5,694
Put-in-Bay	287
Radnor	236
Rathbone	452
Red Haw	327
Savannah	394
*Seville	745
*Sharon Center	1,046
*Valley City	640
Van Buren	304
*Wadsworth	6,800
*Wakeman	527
Wayne	1,051
*Wellington	2,608
*Weston	845
West Salem	529
*Willard	3,390

135,440

*Direct Distance Dialing Exchange

**NORTHERN OHIO
TELEPHONE COMPANY**

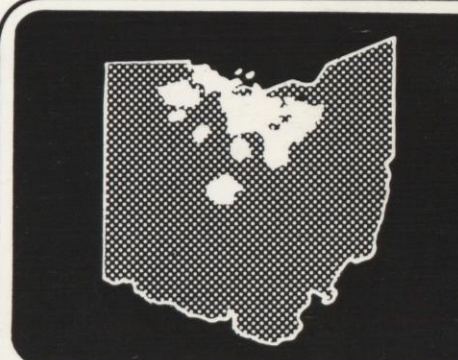
**A PROGRESSIVE COMPANY
SERVING THE
COMMUNICATIONS NEEDS
OF EVER-GROWING
NORTHERN OHIO**



Space Age Motif at North Electric Company, Galion, Ohio, communications manufacturers.



Willard, Ohio, plant of R. R. Donnelly Company. Many of our directories are printed here.



Map of Ohio showing areas served by your company.



This is the Clyde Division of the Whirlpool Corporation.



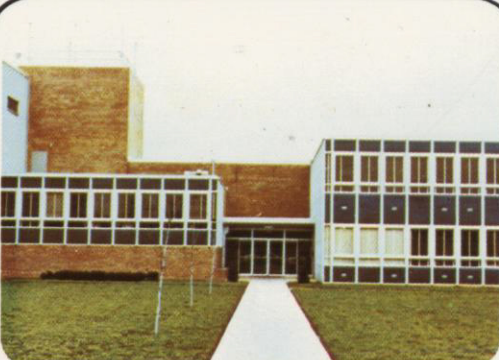
The Pittsburgh Plate Glass Company has this fine plant near Crestline, Ohio.



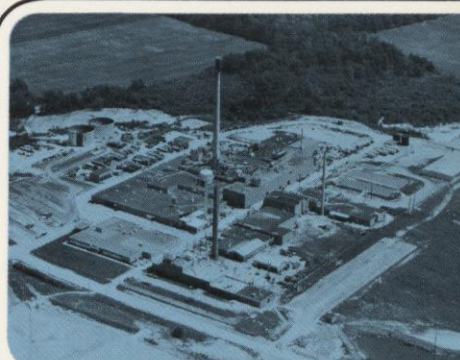
Traffic Controller Console, operations room, FAA Air Route Traffic Control Center, Oberlin, Ohio.



Headquarters of Ohio Farmers Insurance Companies is located at LeRoy, Ohio.



Entrance to Air Traffic Control Center at Oberlin.



The Brush Beryllium Company's plant is served by our Elmore exchange.